

Message Text

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70

ACTION ARA-10

INFO OCT-01 ISO-00 EB-07 COME-00 AGR-05 STR-04 TRSE-00

OMB-01 L-03 CIAE-00 DODE-00 INR-07 NSAE-00 PA-01

USIA-06 PRS-01 SP-02 H-02 /050 W

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FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 1637

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E.O. 11652: N/A

TAGS: EAGR, HO

SUBJECT: SUGAR, APPLICATION OF AGRARIAN REFORM LAW

REF: TEGUCIALPA A-61 OF 14 JUN 75

SUMMARY: THROUGH THE PAST WEEKEND THE HONDURAN AGRARIAN REFORM AGENCY (INA), THE COMPANIA AZUCARERA HONDURAN (CAHSA), AND PRIVATE SECTOR ORGANIZATIONS HAVE SET OFF A SERIES OF PRESS RELEASE CHARGES AND COUNTER-CHARGES CONCERNING EXPROPRIATION OF CAHSA LAND. WHILE U.S. INVESTMENT IS BELIEVED MINIMAL IN THE SUGAR INDUSTRY, PRESS REPORTS INDICATE MAJOR BATTLE BETWEEN HONDURAN PRIVATE INVESTOR GROUPS AND INA. LOOKED AT MORE CLOSELY, THE LINES OF CONFLICT ARE NOT SO CLEARLY DRAWN. END SUMMARY:

1. THE PRESENT SITUATION, DISTILLED FROM SUCCESSIVE ANNOUNCEMENTS AND CHARGES IS AS FOLLOWS:

2. INA HAS LAND SURVEY INFORMATION WHICH INDICATES CAHSA TO BE IN VIOLATION OF SEVERAL ELEMENTS (SIZE, USE, LEGALITY OF TITLE, AND DECLARED QUANTITY) OF COMPLIANCE WITH THE AGRARIAN REFORM LAW AND HAS STATED ITS INTENTION AND NAMED PERSONS TO INVESTIGATE.

3. THE PRESIDENT OF CAHSA STATES THE COMPANY'S HOLDINGS ARE LEGITIMATE. PRIVATE SECTOR ORGANIZATIONS HAVE NOISELY MOBILIZED

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PRESSRESPONSES ATTACKING INA'S PURPORTED BUT PRESS-EXAGGERATED

ACTIONS. THE ORGANIZATIONS APPARENTLY ACTED ON THEIR OWN INTEREST

OR FEARS WITHOUT CONSULTING CAHSA.

4. AT STAKE ARE FOUR TO SIX THOUSAND HECTARES OF GOOD CANE SUGAR LAND IN THE SULA VALLEY. A CAHSA SOURCE SAYS THE LAND IS DESTINED TO BE PLANTED IN SUGAR CANE TO SUPPLY ITS REFINERIES. A LARGE PORTION OF THE LAND WAS PURCHASED FROM TELA RAILROAD. THE COMPANY SOURCE STATED ITS CURRENT CANE PRODUCTION FROM OTHER LAND IN SULA VALLEY IS ABOUT ONE-THIRD OF REFINERY CAPACITY AND THAT THE ADDITIONAL CANE LAND WOULD BE AN IMPORTANT COST REDUCTION IN ITS EXPANSION PROGRAM (SEE REFAIRGRAM). NONETHELESS, CAHSA SAYS IT WOULD NOT COLLAPSE IF INA EXPROPRIATED THE LAND. IF THE LAND TAKEN BY INA WERE THEN PLANTED IN CANE, THE EFFECTS OF EXPROPRIATION WOULD BE MINIMAL.

COMMENT: A FRONTAL ATTACK BY INA AGAINST CAHSA WOULD HIT THE PRIVATE LAND INTEREST AT THEIR STRONGEST POINT. THE INDUSTRY IS CAPABLY MANAGED, IS NOT FOREIGN, AND IS INVESTING HEAVILY IN EXPANSION. THE STRIDENT REACTION OF OTHER PRIVATE LAND INTERESTS MAY BE SYMPTOMATIC. IF INA CAN EXERCISE ITS WILL AGAINST THE SUGAR INDUSTRY, OTHER GROUPS AND INDIVIDUAL FARMERS WILL DESPAIR.
END COMMENT:
SANCHEZ

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